

# BoardRoom Press

*A Bimonthly Journal of News, Resources, and Events for Today's Healthcare Boards*

THE GOVERNANCE INSTITUTE ■ VOLUME 32, NUMBER 4 ■ AUGUST 2021

GovernanceInstitute.com



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HEALTH

## Board Expertise and Diversity for the Future

The New Normal for Virtual Care:  
A Tool for Delivering Strategic Value

### SPECIAL SECTION

Building Back a Better Workplace:  
Eight Lessons for Healthcare  
Executives and Boards

ESG Always Goes through G

### ADVISORS' CORNER

Investing Energy in  
Positive Change





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### 2021 Biennial Survey of Hospitals and Healthcare Systems

**COMING FALL 2021**

Understanding how board performance impacts organizational performance is key to enabling boards to focus on the priorities that matter most, especially post-pandemic. This research brings us new developments of this understanding.

The 2021 survey assessed how board structure, culture, and practices reflect the industry's movement towards value-based care. The report will include analysis on how systems structure their allocation of responsibilities with their subsidiary boards, how board structure and culture correlate with board practices and overall board performance, and how the coronavirus pandemic has influenced governance trends.



# Board Expertise and Diversity for the Future

By Pamela R. Knecht, *ACCORD LIMITED*, and Michael Ugwueke, *Methodist Le Bonheur Healthcare*

## Increased Challenges and Opportunities

The challenges facing healthcare organizations continue to climb. For instance, Kaufman Hall found that by the end of 2021, half of America's hospitals could have negative operating margins—far greater than pre-pandemic levels.<sup>1</sup>

Without a positive operating margin,

"hospitals may not have the ability to invest in new facilities, treatments, and technologies to better care for patients and to build the reserves to be ready for a future made highly uncertain due to the effects of the COVID-19 pandemic."

Other current and future challenges include the transition from volume to value, cybersecurity attacks, "disruptors" like Amazon entering healthcare, increased merger activity, implementation of electronic health records, and difficulties recruiting and retaining a workforce that has become exhausted during the pandemic.

The pandemic has heightened the need to take an organization-wide approach to identifying, assessing, and managing risks of all types. However, not enough healthcare organizations have embraced enterprise risk management (ERM). A hospital board member recently shared, "In the small, aging rural hospital with which I am affiliated, critical decisions regarding the facility have had to be made over the last few years by the board. ERM has allowed those decisions to be more clearly and accurately made. Everyone has a better understanding of why and how decisions are made."

On the positive side, the pandemic has highlighted the need to better understand the health of the communities served. Paying closer attention to the social determinants of health and using a population health management approach helped some providers to identify and treat the most vulnerable individuals in their communities more quickly.

Hospitals also need to hear the "voice of the community" more clearly. This is key to achieving health equity—individuals reaching their highest potential



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for health. One approach is to increase the diversity of the board (which is further discussed below). However, many of the diverse individuals currently serving on boards are people of significant means. They may be patients of the hospital, but they may not have had the experience of being unable to access high-quality healthcare.

The relatively recent trend of viewing patients as "consumers" is also a strategic opportunity in healthcare. Changing to this mindset may not come naturally to healthcare leaders who have spent decades focused on "patients." Executives and their boards may need a deeper and broader understanding of consumerism and its potential impact on the patient and family experience.

## The Link to Board Expertise and Diversity

What do these challenges and opportunities have to do with the board's composition? The strategic and operational issues facing healthcare organizations today and in the future are exponentially more complex than in years past. Now, executives need their boards to be strategic thought-partners who help interpret data from multiple sources and engage in robust discussions about possible implications and alternative future scenarios before making critical decisions.

To play that role, the board of the future must have additional skills, areas of expertise, and diversity of lived experiences and perspectives.

## Key Board Takeaways

### Lessons Learned Regarding Increasing Board Diversity

The Methodist Le Bonheur Healthcare (MLH) board has done a better job of increasing its diversity than many other health systems and publicly traded corporations. Approximately 25 percent of the board is from an ethnic minority. Here are some tips and lessons learned by the MLH CEO and board:

- Begin with an overall philosophy of equal opportunity.
- For any opening (board or executive), require a diverse candidate slate.
- Determine the ideal "profile" for the board (e.g., expertise, gender, ethnicity), but do not create quotas or tokens.
- Insist that any candidate be able to work collaboratively with the board.
- Ensure the leadership team reflects the diversity of the community served. If not, diverse candidates may not be interested in serving on the board.
- Consider looking outside the local community to find potential board members who are both diverse and bring an area of expertise not easily found in the local area (e.g., cybersecurity).
- Create a culture of trust and collaboration among board members.

We consider it best practice to use a skill-based approach, connected with the organization's strategic direction by looking at current and future needs, rather than "representational" governance in which board seats are reserved for key constituencies. Historically, *ex-officio* members have included the Chief of the Medical Staff, Foundation Board Chair, and members of the founding faith community, among others. Although these individuals may be bright and accomplished, there is often a dark side to populating a board in this way. *Ex-officio* members may think their role is to advocate for the interests of the group that appointed or elected them. However, board members are legally bound to focus on benefitting the overall mission of the organization.

## Newer Skills and Expertise

Over the years, the AHA and The Governance Institute have published lists of expertise needed for each board.<sup>2</sup> These include strategy, finance, investment,

*continued on page 10*

1 Kaufman Hall, *COVID-19 in 2021: Pressure Continues on Hospital Margins Report*, March 2021.

2 See, for example, Sean Patrick Murphy and Kathryn Peisert, *Board Recruitment*, The Governance Institute, Spring 2015; The Governance Institute, "Leadership Criteria for Physicians, Board Members, and Executives."



# The New Normal for Virtual Care: A Tool for Delivering Strategic Value

By Bret Anderson, Ryan Bertram, and Tom Kiesau, The Chartis Group

**A**s the pandemic subsides and hospitals and health systems shape their “new normal” for care delivery, virtual care capabilities that were established over the last year can and should remain part of the next frontier in how care is delivered. However, the forcing function of the pandemic has accelerated and shifted the adoption curve of virtual care services to a degree that providers must critically evaluate their opportunities for competitive differentiation in their respective markets.

Pre-pandemic, simply offering virtual care capabilities like real-time video visits or online patient portals was considered advanced, whereas now those capabilities are table stakes. The competitive focus on virtual care in the post-pandemic world is not whether virtual care is offered but how well it meets the needs of end users and how closely it aligns with long-term strategic goals to ensure its continued relevance and sustainability.

## Current Virtual Care Patterns

Virtual care adoption is stabilizing toward a new normal adoption pattern. Video visits are widely available at most provider organizations, accounting for 15–20 percent of all outpatient visits,<sup>1</sup> and a majority of hospitals offer online patient portals to access pertinent health information.<sup>2</sup>

Moreover, there are distinct pockets of notable transformation. Behavioral health, for example, now delivers more than two-thirds of all outpatient encounters via virtual channels. Close to a quarter of all primary care visits are virtual, while a number of medical specialties like neurology and gastroenterology are also conducting more than 20 percent of their outpatient visits through virtual modalities.<sup>3</sup> The pandemic has offered hospitals and health systems the unprecedented opportunity to reimagine their care models and advantageously position

themselves for rapid recovery versus market competitors.

The pandemic brought forth some challenging trends for hospitals and health systems as well. Foremost among them is the downward trend over the last year in overall outpatient visits compared to pre-pandemic volumes.<sup>4</sup> Given likely pressures on top-line revenue, provider organizations must deliver care more efficiently. A well-designed virtual care platform that appropriately matches patient needs with provider resources can be an important and economical lever to ensure convenient access to care.<sup>5</sup>

Virtual care can help manage a provider's existing patients with a mix of clinical and non-clinical support staff, who enable follow-up care for a wide array of patient acuity levels at a lower cost than traditional, physician-centric in-person visits. Virtual care can also be a competitive differentiator for hospitals and health systems, according to a recent executive survey.<sup>6</sup>

Healthcare organizations can ensure their market-leading position by taking an intentional approach to designing digitally forward care models that optimize how virtual care is delivered and experienced. The virtual care infrastructure put in place during the pandemic was largely built out of short-term necessity, without a long-term adoption plan, forcing many providers to rationalize platform investments with other systems and digital access points.

## Meeting the Needs of End Users

Providers now have the opportunity to refine their virtual care services to better meet the ongoing needs of end users and bring them more in line with the consumer-friendly experiences the digital age has brought forth in other major industries like retail, travel, and banking. Providers can follow the lead

## Key Board Takeaways

- Perform a retrospective regarding key lessons learned from the pandemic for virtual care and develop a plan to address foundational gaps.
- Set a vision for the future care delivery paradigm that seamlessly leverages virtual care as part of the broader care experience to advance strategic imperatives.
- Define an action plan to realize that vision, clarifying how key clinical services will integrate virtual care within their delivery model to create a differentiated consumer experience across the care continuum.

of these digitally transformed peer industries by taking an “outside-in” approach to designing their digital offerings. This approach highlights consumer insights and orientation through journey maps, personas, prototyping, and direct feedback to improve the end-user experience.

Anchoring virtual care service design on meeting consumer needs also positions provider organizations well to achieve long-term sustainability and relevance by hard-wiring them to measure what matters to consumers and to perpetually drive better, more personalized, and more meaningful outcomes.

Taking an “outside-in” approach to virtual care design has several strategic benefits for hospitals and health systems. Recent polling indicates that 35 percent of the general public and half of younger adults would consider replacing their current primary care provider with one that offers virtual care.<sup>7</sup> Virtual care may also boost efforts to engage a more diverse patient population, given that 52 percent of Hispanic, 43 percent of Black, and 40 percent of Asian-American patients would consider switching primary care providers to virtual care alternatives.<sup>8</sup> To that end, virtual care serves as a vital tool to cultivate a trusting relationship with patients and a convenient access point across the care continuum.

*continued on page 11*

1 The Chartis Group and Kythera Labs, *Telehealth Adoption Tracker*, May 2021.

2 HIMSS Trust Partnership, *State of Healthcare Report*, June 2021.

3 *Telehealth Adoption Tracker*, 2021.

4 *Ibid.*

5 Maureen Ward, Jon Freedman, and Melissa McCain, “How to Create Digitally Forward Care Models: 5 Key Workplan Components,” The Chartis Group, April 2021.

6 *State of Healthcare Report*, June 2021.

7 Hannah Mitchell, “35% of Patients Would Consider Leaving Their Primary Care Provider for Telehealth Visits,” *Becker's Hospital Review*, April 23, 2021.

8 *Ibid.*



# Building Back a Better Workplace: Eight Lessons for Healthcare Executives and Boards

By Deirdre Baggot, Ph.D., RN, Oliver Wyman, and John Rudoy, Ph.D., Marsh McLennan

**W**e have entered the period of “The Great Resignation” among healthcare workers, many of whom are understandably burned-out following a 15-month face-off against COVID-19. In the wake of the pandemic, the demands placed on healthcare workers have been unrelenting, with a disproportionate burden falling on a predominantly female workforce.

Even before COVID-19, hospitals and health systems faced a complex workforce landscape, with physician burnout at record high levels. Healthcare workers make up an increasingly large portion of the total U.S. workforce. In 2000, healthcare workers made up 7.7 percent of the workforce; today, the health industry workforce represents an estimated 11.2 percent of total employment.<sup>1</sup> And the need for more healthcare workers is only growing.

While the pandemic is far from over, COVID-19 has set some positive trends in motion. The crisis accelerated the popularity of more flexible, less labor-intensive, technology-driven models of care. For example, consumers found that many forms of care can be delivered effectively, and more conveniently, via telehealth. And clinicians battered by the events of the past year gained relief through the increased flexibility that remote healthcare services provide.

Tempting though it might be to strike a note of optimism and declare that healthcare workforce issues are resolving themselves, the reality is much more complex. The healthcare industry workforce is an intricate mechanism and challenges remain. Even as new models ease some of the pain, these emerging models of care come with their own risks and complexities. Health system boards and senior leaders must be on the lookout for interlocking trends

in the field and be prepared to respond strategically.

## The Trends Healthcare Workforce Challenges Intensify

The pandemic has widened gaps in the healthcare workforce that were already in place prior to COVID-19. But the stresses of working in medicine have become even more intense over the past year. A *Washington Post*/Kaiser Family Foundation survey found over half of clinicians reporting burnout, and nearly two-thirds reporting some impact on their mental health.<sup>2</sup> Many of these individuals are likely to consider different career paths or reduced workloads. Unfortunately, healthcare workers do not see this ending anytime soon, with research showing that 70 percent expect that the burnout problem will only get worse over the next two years.<sup>3</sup>

Broader trends are also having an impact on the healthcare workforce. For example, as childcare options dwindled during the pandemic and greater household responsibilities fell to women, there was a disproportionate decrease in workforce participation by women.<sup>4</sup> This has had a greater impact on healthcare, which skews heavily female.

Anecdotally, the media has reported an exodus of healthcare workers from the field, but early studies suggest the effect is real. A *JAMA* survey found that more than 20 percent of nurses are thinking about leaving medicine, while 30 percent have thought about reducing their hours.<sup>5</sup> Moreover, an analysis conducted prior to the pandemic by human-resource consulting firm Mercer (a subsidiary of Marsh McLennan and a sister company of Oliver Wyman) projects that demand

## Key Board Takeaways

Boards need to have detailed conversations with leadership to ensure they are effectively navigating the complexities of the current healthcare workforce environment. Here are the questions they should ensure their leaders can answer:

- What specific workforce shortages are we facing, and what needs to be solved locally vs. can be addressed through remote options?
- What are we doing to make our organization the most attractive place for clinicians and other healthcare workers to work, and how is our DE&I strategy contributing to that?
- What changes to our clinical models are we putting in place to alleviate workforce issues while better serving our patients?
- How are we working to ensure the next generation of healthcare workers will meet our needs both in quantity and quality?

for many healthcare roles will outpace supply in the coming years.<sup>6</sup> For example, it's estimated that health at home, a fast-growing market segment, will face a shortfall by 2025 of nearly a half-million home-health aides, 100,000 nursing assistants, 30,000 nurse practitioners, and 10,000 physicians across all specialties to serve growing demand. These are already apocalyptic stats, and the COVID-19 pandemic has only exacerbated the struggle to hire enough clinicians to meet this demand. The healthcare workforce is hurting, and shortages in labor supply will only grow worse over time.

## Acceleration of New Care Models

Virtual care has gone mainstream. The pandemic accelerated the adoption of telehealth to the point that business and staffing models that may not have been viable 18 months ago are suddenly worth reconsidering. Once reluctant, clinicians report increasing levels of comfort with new tech-enabled visits, particularly in specialties such as behavioral health and primary care. According to recent Oliver Wyman

1 The Center for Health Workforce Studies, School of Public Health, University at Albany, *Health Care Employment Projections: An Analysis of Bureau of Labor Statistics Occupational Projections 2010–2020*.  
 2 Ashley Kirzinger et al., *KFF/The Washington Post Frontline Health Care Workers*, March 2021.  
 3 NRC Health, “Let’s Talk About Burnout,” April 12, 2021.  
 4 Johnathan Rothwell and Lydia Saad, “How Have U.S. Working Women Fared During the Pandemic?” Gallup, March 8, 2021.  
 5 Rebecca K. Delaney, “Experiences of a Health System’s Faculty, Staff, and Trainees’ Career Development, Work Culture, and Childcare Needs During the COVID-19 Pandemic,” *JAMA Network Open*, April 2, 2021.  
 6 Matthew Stevenson, *Demand for Healthcare Workers Will Outpace Supply by 2025: An Analysis of the U.S. Healthcare Labor Market*, Mercer, 2018.



research, nearly 60 percent of people globally say they will use telehealth more post-COVID, including 54 percent of those surveyed in the U.S.

The growing acceptance of remote and digital care will have an impact beyond telehealth: Individuals may collect and share more data with their physicians between visits, streamlining care; retail care sites that can remain connected with traditional clinics may proliferate; and AI-assisted decision making may improve the speed and quality of care.

Care is also getting easier. These emerging models are simplified, lighter, more flexible, and less labor-intensive, which means that a shrinking labor supply in some specialties may find it easier to attend to growing demand. Does that mean that U.S. healthcare's problem has solved itself and that workforce challenges will be erased by changes in care models? Unfortunately, it is not that simple. First, at least in the near term, the rise of digital health and other elements of the new front door is unlikely to make up for the crunch in labor supply. But more broadly, even if the new approaches relieve labor shortages, they will create a new set of considerations that are important for health systems and their executives and boards to understand before adopting them.

## **Eight Actions for Addressing a Complex Human Capital Landscape**

Given an increasingly diverse workforce composed of multiple generational cohorts with varied social backgrounds, a nimble approach is necessary. Here are eight steps healthcare executives should explore as they navigate workforce complexities. In many of these, boards will need to step in to ensure leaders feel empowered to be bold enough in their vision; workforce challenges will not be solved by incremental, short-term thinking.

**1. Envision the team you want, rather than settling for the one you have.** Forward-thinking leaders are choosing to make strategic talent upgrades that align with higher performance. Hospitals and health systems in a growth mode have reimagined their human capital strategy. They're taking risks,

upending traditional staffing models, and placing big bets on the workforce of the future—an approach that's both easier and more flexible. It is the role of boards to take the long view and push their management to adopt this mindset rather than getting caught in a short-term view.

**2. Digitalize and automate recruitment and onboarding.** Hospital and health HR systems are struggling to maintain pace with the volume of hiring and onboarding, as well as greater turnover. As the economy rebounds, this pace will only intensify. Traditionally an under-resourced area of the enterprise, boards and executive teams will need to make technology investments that make recruitment and onboarding an automated—and seamless—process.

**3. Modernize your employee value proposition.** Chief human resource officers (CHROs) have realized that traditional efforts that simply standardize and harmonize compensation and benefits often miss the mark with key workforce categories. With the graying of doctors and nurses, CHROs that are winning the talent war are taking a more segmented approach to employee comp-and-benefits, and boards should enable them by providing the right levels of investment and the flexibility to change long-standing models. For example, while Gen Xers may be drawn more to 401K match and no-match health benefits, Gen Zers are looking for maximum schedule flexibility, work-from-home options, and same-day pay. According to the *NEJM Catalyst's* Insight Council survey, many clinicians say that flexibility in scheduling (40 percent) and more lenient PTO policies (33 percent) are the best ways to help them recover from the stresses of their jobs.<sup>7</sup>

**4. Get specific about the workforce shortage issues your organization actually faces.** It's not sufficient to read the national headlines and then assume those patterns are replicated at the local level. Hospitals and health systems need to understand what the local market looks like, role by role, in the specific areas where they operate, and craft a strategy accordingly. For instance, while almost all states face a home-health aide shortage, the scarcity is far more intense in California than in Wisconsin, based on Mercer analysis. In other example, physical therapists are

## **Adapting Work Flexibility to the Clinical Environment**

While it is easiest to envision work-from-home and other flexible options for administrative staff, clinicians need not be left out. Digital health provides an opportunity to provide some types of care from home and to do other necessary clinical work outside the traditional setting. This will require more carefully designed scheduling, and clinicians will need support setting up the clinical and physical infrastructure to facilitate work-from-home days.

Flexibility does not just mean work-from-home; boards should encourage leadership to better understand the needs of individual clinicians. Some may value periodic mornings free, others may prefer afternoons, others may be willing to work weekends if this means they are available for their children in the week. Others may just prefer more predictability in their schedules. The end result will be different for each organization, but building a work approach with the input of clinicians will lead to more satisfaction, better performance, and improved retention.

relatively plentiful in Pennsylvania, but hard to come by in Texas.

### **5. Consider future care models.**

Demand is shifting to telehealth and other digitally enabled care models. While many hospitals and health systems have started down this road, only those providers who manage to get it right—and organize around the new business model—will reap the benefits. This means designing new clinical and financial models, restructuring the organization, designing a new staffing model, retraining staff, reconsidering the physical footprint, and undergoing a thorough transformation.

### **6. Anticipate the risks created both by workforce problems and their solutions.**

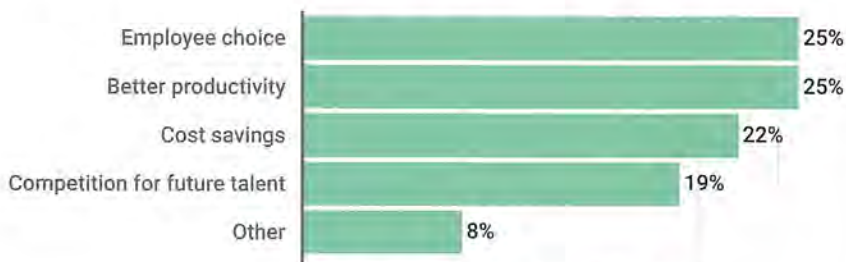
Shortages of skilled clinicians together with an overworked staff, personnel placed in unfamiliar roles or teams, or lack of staff heightens the risk of medical errors and access problems, with obvious implications for patient health outcomes, as well as the viability of the healthcare organization.

<sup>7</sup> NRC Health, "Special Report on Burnout: How It Starts and What to Do About It," April 19, 2021.



### Exhibit 1: Top Payer and Provider Considerations for a Post-Pandemic Workforce

All surveyed said they're considering a different post-pandemic workforce.



Source: Oliver Wyman Survey, May 2021.

But the solution can create risk as well. A reliance on digital communications amplifies cyberattack risk and data losses that can impact patients and health systems. Newly deployed health data collection tools, such as wearables or smartphone apps, can fail, affecting care in unpredictable ways. And the use of artificial intelligence in decision making also creates complex risks of poor decisions and outcomes.

To address these novel risks, hospitals and health systems need to implement risk mitigation processes, put in place crisis recovery plans, and have adequate insurance coverage in the event of an incident.

**7. Upend traditional work environments to make them more appealing and sustainable.** Healthcare organizations face a tight labor market and need to build a highly attractive employee value proposition based on pay, flexibility, and other factors. A war for talent is certain to break out. This is true both for highly educated physicians and nurses, as well as lower-wage positions such as home-health aides and nursing assistants.

People, however, base career choices and job decisions on more than just pay and perks. Looking beyond the traditional dollars-and-cents levers, healthcare systems should take a hard look at their workplace culture and identify the elements that may be contributing to attrition and difficulty in recruiting. The year of COVID, admittedly, has been exceptionally hard for health workers, but healthcare has always been a stressful field. That stress is part of the terrain and sometimes unavoidable; but at times leaders'

work expectations and communication styles are simply vestiges of an outmoded and outdated culture.

To reevaluate a health system's culture and create a more resilient workforce, leaders should empathize with their team members, advocate for members when they need help or need to set boundaries, encourage the use of mental health services, and serve as examples themselves by taking time off and engaging resources when they need them. They can also make more structural changes to how feedback, professional development, incentives, and other elements of the workforce experience are implemented. Simply feeling valued can have an effect on burnout among healthcare workers, and senior leaders and boards should take creating a culture that demonstrates this seriously.<sup>8</sup>

Given the high proportion of women in healthcare, hospitals and health systems should pay attention to policies that create a welcoming environment for women. Generous parental leave policies, on-site childcare or childcare subsidies, and flexible work schedules are good for all workers, but are especially beneficial for women, given their disproportionate role and involvement in childrearing.

More broadly, this demonstrates the importance of a coherent diversity, equity, and inclusion (DE&I) strategy that is closely aligned to the business itself. Boards often have significant oversight on DE&I activities, and it is critical that these efforts go beyond well-meaning words and occasional training sessions. Hospitals and health systems must create workplaces that are inviting to a wide variety of

people and that are accommodating to employees' lives outside of work. Otherwise, they will struggle to attract and retain the talent they need.

**8. Encourage governmental policy changes to increase healthcare labor supply.** Hospitals and health systems to date have focused their efforts on competing over limited pools of healthcare workers, which is both understandable and necessary. But without a broader, nationwide effort to encourage a robust workforce at the societal level, even the best efforts will come up short. Health systems have a long history of working with governments at multiple levels, and board members are often involved in this critical work. Boards should take an active role in working with government affairs leaders and connecting across health systems to identify and promote government policies that encourage people to obtain the necessary training to enter in-demand healthcare fields. Policy changes that help create a sustainable and attractive work environment for women and other traditionally disadvantaged members of the labor force will help all hospitals and health systems and prevent a destructive race to the bottom.

### The Road Ahead

Many health systems and hospitals are still managing high acute-care COVID-19 demand and are planning for potential future variant-driven surges—all while also attempting to meet the pent-up demand from care delays. This, combined with existing workforce pressures, is bringing organizations to the breaking point. As hospitals and health systems continue navigating a challenge of global proportions, they cannot wait to address workforce shortages and the tangle of complexities that follow from them. C-suite executives and boards need to be planning and building now for a better future.

*The Governance Institute thanks Deirdre Baggot, Ph.D., RN, Partner, Oliver Wyman, and John Rudoy, Ph.D., Healthcare Director, Marsh McLennan, for contributing this article. They can be reached at [deirdre.baggot@oliverwyman.com](mailto:deirdre.baggot@oliverwyman.com) and [john.rudoy@oliverwyman.com](mailto:john.rudoy@oliverwyman.com).*

<sup>8</sup> Kriti Prasad, *Prevalence and Correlates of Stress and Burnout among U.S. Healthcare Workers during the COVID-19 Pandemic: A National Cross-Sectional Survey Study*, EClinicalMedicine, May 1, 2021.



# ESG Always Goes through G

By Bill Dixon, Pearl Meyer

**A** huge emerging topic for directors and senior leaders in corporate general industry relates to “ESG” or environmental, social, and governance concerns. These categories and standards for organizational management, decision making, and behavior are increasingly used by socially-conscious investors to screen companies. Consumers are also beginning to use this kind of information to make values-based decisions about where they spend time and money. How does this broader business trend impact not-for-profit healthcare organizations? Is it a means for enhancing the positive impact of healthcare providers, and perhaps too, one’s public perception and by extension, its competitive differentiation?

## Implications for Not-for-Profit Healthcare

Since roughly 75 percent (or more) of healthcare providers are tax-exempt, it follows that many boards and executives are not currently considering ESG to be directly relevant to their organizations. However, since they are mission- and stakeholder-driven, there may be an opportunity, if not an obligation, to apply these concepts. Consider these several important outcomes.

### Business-based:

- **Market differentiation:** The majority of hospitals and health systems have relatively similar purposes, missions, articulated values, strategies, and organizational models and are finding it more difficult to compete on these traditional points. The adoption of ESG-based principles offers opportunity to evolve into a more appealing healthcare option for consumers.
- **Growth, profitability, and total returns:** Recent investment performance research has indicated that companies embracing ESG as part of their management practices financially outperform their peers. Additionally, it is not beyond the realm of possibility to see adoption of these standards—or the lack thereof—impact bond ratings and cost of capital down the road.

Key Board Takeaways		
Board Structure	Board Processes	Board Communications
<b>Strategic Board Recruitment and Membership Evaluation</b> <ul style="list-style-type: none"> <li>• Look for qualifications, expertise, and competencies in areas that are required now and in the future.</li> <li>• Conduct periodic competency assessments.</li> <li>• Select for diversity of thought and experience and aim to represent the make-up of the organization’s stakeholders.</li> <li>• Ensure director independence.</li> </ul>	<b>Engagement and Inclusion</b> <ul style="list-style-type: none"> <li>• Provide structured onboarding and job definitions.</li> <li>• Require attendance at more than 75 percent of scheduled board and committee meetings.</li> <li>• Require all to read, review, discuss, and understand the bylaws, committee charters, and IRS Form 990s.</li> <li>• Ensure there is ample opportunity for all voices to be heard and viewpoints considered.</li> <li>• Provide access to advisors and auditors if requested.</li> <li>• Consider the business-driven argument to pay board members to drive engagement.</li> </ul>	<b>External Outreach</b> <ul style="list-style-type: none"> <li>• Mimic shareholder outreach efforts by public companies and consider key stakeholders and their information needs.</li> <li>• Encourage and provide frameworks for active outreach by board members to ensure a positive and stewardship-oriented outreach process.</li> <li>• Strive to continually enrich board members’ and community knowledge of the healthcare organization, its mission, goals, and progress.</li> </ul>
<b>Term Limits</b> <ul style="list-style-type: none"> <li>• Develop and enforce term limits (general industry standard is no more than two three-year terms consecutively).</li> <li>• With valuable long-term directors, suggest post-board service in other capacities (e.g., mentorship, informal advisory roles, etc.).</li> </ul>	<b>CEO and Board Performance Evaluations</b> <ul style="list-style-type: none"> <li>• Comprehensively review and collect detailed information on annual performance versus pre-established expectations, competencies, and expected behaviors.</li> <li>• Provide transparent, direct, and constructive feedback to the CEO and each board member.</li> </ul>	<b>Internal Dialog</b> <ul style="list-style-type: none"> <li>• Promote communication and information-sharing between board and management.</li> <li>• Encourage development of strong processes for broad internal communication throughout the organization.</li> </ul>

- **Organizational agility:** Given the unprecedented pace of change, embracing ESG has an operational benefit. The monitoring, tracking, and reporting mechanisms that come along with many ESG initiatives can enhance the speed and quality of decision making and action.

### Community-based:

- **Trust:** Customers, employees, communities, donors, and other key stakeholders have some degree of

choice in providers and are demanding more transparency, fairness, equity, and collaboration. Setting and stating goals related to ESG can help establish and build a trusting relationship.

- **Improved outcomes:** Many of the social aspects of ESG—promotion of diversity, equity, and inclusion or workforce health and safety—can directly tie to the mission of improved community-based healthcare outcomes.



**Exhibit 1: High-Level Categories for Goals and Measurement**

	Environmental	Social			Governance		Broad ESG
Category	Environment & Sustainability	Human Capital & Culture	Diversity & Inclusion	Health & Safety	Governance	Cyber Security & Data Protection	Overarching ESG
Examples of Measures		Employee Engagement			Regulatory Compliance and Internal Controls		Implement Overarching ESG or Corporate Responsibility Strategy
	Reduction in Carbon Emissions	Succession Planning	Gender Representation	Fatalities		Cybersecurity	
	Waste Reduction	Recruitment and Retention	Racial Minority Representation	Lost Workdays	Risk Management Processes	Fraud Prevention	Recognition for ESG Initiatives
	Environmental stewardship	Employee Training and Development	Inclusion Survey	Accident Prevention	Stakeholder Engagement	Data Governance	
		Transforming Culture		Food or Product Safety	All-encompassing Governance Enhancements		High ESG Scores from External Rating Agencies

Considering the significant potential benefits, healthcare organizations' boards and senior leaders should closely examine the basic, overarching ESG frameworks, how many of these criteria are already being used, and develop an understanding of if, how, and where these ideas and metrics can be applied. We do know that practices, much less "best practices," are still emerging in the public company sector as regulations and reactions by shareholder/investor advisories come forth. However, more companies than ever are engaged in serious application and disclosure of ESG goals, metrics, and action plans.

### Focusing on the "G" in ESG

While it's perhaps less glamorous than its E and S partners, governance is clearly an area of responsibility for the

healthcare board and one where directors can set a strong foundation from which to collaborate with management to strategically lead the organization. And in fact, all aspects of ESG goal-setting and measurement must flow through the governance arm of the board. The checklist in the "Key Board Takeaways" sidebar offers a starting point for discussions on board structure, processes, and communication.

Not-for-profit healthcare boards can point to a new, diligent focus on more detailed aspects of governance as the entry point into the organization's larger and more long-range focus on the other ESG issues that are deemed to be most relevant for its future and relationship to stakeholders.

The fact is there are a lot of new ideas and emerging practices related to ESG that have a tangible benefit for not-for-profit hospitals and health systems. They reflect major trends in global investment, social change, and enhancing the transparency and communication of organizations about what they are doing and how.

Given the central role that healthcare plays in our communities and the economy, ESG-based programs deployed in this industry can provide a basis for substantial societal change. And as we move past the events of the last year and a half, hospitals and



health systems will be returning to their complex Triple Aim initiatives to lower cost and increase value in the delivery of health and wellness services. In the context of business strategy, ESG can be a tool for driving organizational transformation and enhancing the organization's health, competitive advantage, and sustainability.

Emerging from this crisis mode could be an optimal time to take a new approach to how not-for-profit hospitals and health systems and providers operate and communicate. Borrowing cues from the corporate world and incorporating ESG concepts offers some compelling benefits for the healthcare mission.

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**Environmental:** Focuses on how the organization acts as a steward of nature

**Social:** Examines relationships with employees, suppliers, customers, and local communities

**Governance:** Covers a company's leadership, executive pay, internal controls, and shareholder rights



## Board Expertise and Diversity... continued from page 3

executive compensation, audit, medical/clinical, quality, patient safety, legal, compliance, public policy, philanthropy, etc. Although these basics are still important, many boards need to make room for directors with deep expertise in the following emerging areas:

- Cybersecurity
- Strategic information technology
- Consumerism/patient experience
- Quality and process improvement
- Mergers and acquisitions
- Change management/  
talent management
- Health plan/direct  
employer contracting
- Enterprise risk management
- Corporate and not-for-profit  
governance
- Population health management
- Health equity/social determinants of  
health/public health

Boards that intentionally recruit and retain members with executive-level expertise in these areas will be more helpful strategic advisors to their CEOs and executive teams, given the complex challenges and opportunities described in the beginning of this article.

### The Call for Diversity, Equity, and Inclusion

The pandemic and social unrest over systemic racial injustice during 2020 have, among other things, resulted in a long-overdue focus on increasing diversity, equity, and inclusion (DEI) in healthcare as well as in many other fields. The AHA's Institute for Diversity and Health Equity recently published several helpful resources such as the Health Equity Dashboard. Likewise, The Governance Institute has published several articles and publications on the topic.<sup>3</sup>

DEI efforts often focus on improving the diversity of the employees and managers within an organization. However, recently, that scrutiny has also been applied to the top of the house—the board. Unfortunately, data from multiple sources indicates that both for-profit

## Exhibit 1: Insufficient Diversity on Boards

	Data Source	Percent of Female Board Members	Percent of Ethnic Minority Board Members
Boards of Not-for-Profit Hospitals and Health Systems	The Governance Institute (2019)	24.7%	13.3%
	American Hospital Association (2019)	28%	17%
Boards of For-Profit Corporations	Standard & Poor's 500—Spencer Stuart Report (2019)	26%	19%
	3,000 Largest Publicly Traded Corporations—PwC Report (2020)	21%	12.5%

and not-for-profit boards lack sufficient diversity of gender and ethnicity (see **Exhibit 1**).

### Lack of Gender Diversity

The lack of gender diversity on boards is especially troubling in the healthcare field. Hospital and system boards are responsible for ensuring management improves the health of the *entire* population served, not just those who are “pale, stale, and male.” Since females are 51 percent of the population in America (and they make most of the healthcare decisions for their families), the percentage of female board members should be much higher than the current average of 21–28 percent. Research in the corporate governance world has proven that adding females to boards is beneficial to the organization.<sup>4</sup>

### Lack of Racial Diversity

Similar challenges and opportunities exist regarding racial and ethnic minorities in organizations and on their boards. Researchers at McKinsey & Company found companies with more executive ethnic diversity were 33 percent more likely to see above-average profits.<sup>5</sup> And the author of a recent *Harvard Business Review* article stated, “A demographically diverse board may help a company identify and respond to market shifts and changes in consumer expectations more effectively than a homogenous board.”<sup>6</sup>

Similarly, a more ethnically and racially diverse board will be better able

to help its executive team identify and respond appropriately to the needs of its consumers. This is especially the case in urban areas where a higher percentage of the population is ethnically and racially diverse. And yet, on average, only 12–19 percent of directors are from an ethnic minority.

### Broader Diversity of Perspectives Is Key

This article has focused on gender and ethnic diversity. However, an even broader definition of “diversity” is needed now—one that refers to a variety of perspectives. Boards of hospitals and systems will make more informed decisions if they include directors with varying perspectives due to their age, board tenure, profession, and geographic location, for example. The more perspectives a board considers before making a critical decision, the more likely it is to do the right thing for the communities it serves. Therefore, expanding board expertise and diversity are critical initiatives in these complex times.

*The Governance Institute thanks Pamela R. Knecht, President and CEO, ACCORD LIMITED, and Michael Ugwueke, President and CEO, Methodist Le Bonheur Healthcare, for contributing this article. They can be reached at [pknecht@accordlimited.com](mailto:pknecht@accordlimited.com) and [michael.ugwueke@mlh.org](mailto:michael.ugwueke@mlh.org).*

3 For example, see Tina Freese Decker, “Leading Healthcare Towards Greater Health Equity,” *BoardRoom Press*, The Governance Institute, June 2021; LaTonya O’Neal and Mark Wenneker, “Addressing Health Disparities: A Mission-Critical Strategy,” *System Focus*, The Governance Institute, June 2021; Larry Stepnick, *Building a More Diverse Board*, The Governance Institute, 2018.

4 For example, see Scott Berinato, “Banks with More Women on Their Boards Commit Less Fraud,” *Harvard Business Review*, May–June 2021.

5 Vivian Hunt et al., *Delivering through Diversity*, McKinsey & Company, January 18, 2018.

6 Jared L. Landaw, “How Diverse Is Your Board, Really?,” *Harvard Business Review*, June 11, 2020.



## The New Normal...

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### Redefine the Future of Care Delivery

As hospitals and health systems emerge from the pandemic and look to harness the gains made in virtual care adoption for the long term, board members should ensure that the revamped processes are in place to make these digital innovations sustainable and not revert to the pre-pandemic status quo. They should first ensure that virtual care capabilities are tracking toward key metrics of high usage and strong growth trajectory across all areas of clinical care, and that they drive robust patient and provider satisfaction.

Secondly, board members should demand the development and implementation of a comprehensive plan to proactively guide and promote virtual care adoption across the clinical enterprise. Long-term and sustainable

adoption is predicated on a cohesive and economically sound approach to advancing virtual care. Without it, hospitals and health systems are at risk for devolving back to pre-pandemic care model norms, putting them at a significant competitive disadvantage. Now is the time for hospitals and health systems to seize this unprecedented opportunity to redefine their care models and avoid becoming obsolete in a market with innovative players that have recently entered the provider industry.

Ultimately, hospital and health system boards should challenge their leadership teams to build upon the nimbleness and momentum generated over the last 18 months to shepherd the next wave of digital transformation. Non-traditional industry segments (e.g., retail, consumer goods, and big tech) are placing an amplified

focus on healthcare delivery, while an unprecedented amount of private capital is flowing into healthcare today. It is therefore mission critical for incumbent hospitals and health systems to harness the power of virtual care as part of their value proposition to avoid disintermediation of their patient relationships and maintain a competitive market edge in this rapidly evolving industry.

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## Investing Energy in Positive Change

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volume to value for a decade and the reality is the movement has been slow and variable. However, moving away from fee-for-service reimbursement is clearly occurring—even if we are moving slower than a turtle. The greatest movement to value has been seen in physician groups and other delivery organizations that are for-profit and funded from venture capital or the public markets. Although they only comprise a small portion of the market, they are growing quickly.

Value-based care delivery requires a different culture to get results—which is why health systems are struggling to make the shift. Too many health systems have centered their IT on an EMR, which is only a transaction engine designed for fee-for-service billing. The EMR is set up to maximize billing and collections, so the opportunity to make significant change is limited.

Health systems need to think about how they can build a separate and distinct virtual capability to organize their value-based care delivery efforts. While there are some synergies that can be leveraged within the existing

health system infrastructure, the original purposes of the systems are different. Too much energy is spent trying to reconcile the two concepts rather than letting each pursue its natural course.

Instead, focus on these questions that will more likely result in positive outcomes:

- What metrics are we using to track our value-based care delivery efforts and why?
- Who in our market is the most advanced in value-based care delivery and why?
- What incentives does a frontline primary care physician have to take care of patients differently?
- What is the current supply and demand for essential healthcare services in our market and how is this going to change over time?
- If our market has a shortage of hospital beds, can we play a significant population health management role?
- Does our organization have the competencies needed for population health management today and in the future (e.g., patient-centric care management systems, business

processes that have proven results of increased quality and reduced costs, etc.)?

### Conclusion

Time is the one resource that you can't create or purchase more of. Your time in the boardroom is a finite resource and how you use it can impact the health of your community. The questions management asks the board should result in a positive impact on the organization and community.

The challenge is getting beyond the surface to the deeper issues. If this work were simple, everyone would be doing it. By focusing the board's energy on questions and topics relevant to resource allocation, you can plant seeds that will germinate and result in amazing outcomes.

*The Governance Institute thanks Brian J. Silverstein, M.D., Managing Director, Health Care Wisdom, and Governance Institute Advisor, for contributing this article. He can be reached at [bsilvers@uchicago.edu](mailto:bsilvers@uchicago.edu).*



# Investing Energy in Positive Change

By Brian J. Silverstein, M.D., Health Care Wisdom

**E**very board I have worked with struggles with how to find the space for strategic dialogue. Even the boards that make time for strategic discussions are sometimes challenged to find the right way to discuss concepts that have multiple definitions. We have all seen that how you frame a question can determine the outcome. The key question is, where are you going to focus your energy? Time is a finite resource so a board should be intentional about its conversations and ensure they will result in energy for positive change. The alternative is debating changes that may not result in meaningful action.

To focus on energy for change, find the points of agreement and actions that can be taken now rather than debating an ambiguous scenario. This article discusses three specific, inter-related areas where your board can focus its time and energy to help move your organization forward:

- Digital transformation
- Patient experience
- Value-based care delivery

## Digital Transformation

We have all seen what digital changes can bring to an industry.

I don't think there is an area that is in need of more attention than digital. Rather than think about a long-term plan, consider what you can do in the next year to move this forward. Technology is going to change and rather than try to predict if VHS or Betamax is going to win, recognize that film is dead, and the future is digital.

For example, an organization may think that it has invested in an electronic medical record (EMR) so it is a digital organization. EMRs are "transaction engines" that are used to allow payment for healthcare services. This type of technology is standard in every industry. However, no other industry uses their transaction engine the way the healthcare industry does with the EMR. We have allowed EMR vendors to determine our login screen, our workflows, and the layout of every element of our business.



Questions to consider:

- What digital investments will make the greatest difference in the next six months to a year?
- How are we ensuring digital is being embedded in every new strategy/project?
- Why are we centering our IT strategy around our EMR?
- What are the top patient complaints and is there a digital solution that can help?
- What would we do if we had a ransomware attack?

## Patient Experience Improvement

I saw a recent blog post where a caregiver was complaining about how stressful it is to reach patients with their test results before they are automatically released. Has that person thought about how stressful it is for the patient to wait for the result? We need to accept that we have taken the wrong approach to patient experience—so wrong that it is now being legislated. The ONC Cures Act final rule requires all physicians to make their office notes, laboratory results, and other diagnostic reports

available to patients as soon as the physician's office receives an electronic copy. Another viral video on TikTok demonstrated kids are opting out of being weighed at their annual visit. How would a caregiver at one of your clinics respond to this?

This is an area with so many opportunities for improvement

that at times it can be overwhelming. Let's create a simple framework so we can think about our patient experience in actionable segments:

1. Access: How does a patient get into our system?
2. Pre-visit: What are the communications with the patient and family before the visit?
3. Visit: What is the experience during the visit?
4. Post-visit: What happens after the visit?

## Key Board Takeaways

- Consider what digital investments would have the biggest positive impact if acted on within the next year.
- Take time for productive board conversations around the patient experience that drive needed change. This includes having a deep dive around what happens before, during, and after a care encounter, and whether the organization is meeting or exceeding patient expectations.
- Assess where your organization is on the journey from volume to value and set realistic goals around how to accelerate this shift. Think through the current metrics used to track these efforts and your role in population health management today, as well as where you want to be in the future and how to get there.

Each of these segments can be an exploration into itself. Here are some questions that the board can utilize to promote productive conversations that are a good use of energy and create some momentum for change:

- How long does it take to make an appointment (e.g., time on hold, time talking to a scheduler, do we offer online appointment scheduling)?
- If a patient wants to be seen sooner than the first available appointment, what are their options? We can assume if we are not meeting their needs, they will find someone else who can.
- What do we send the patient before the visit to help them prepare? What diagnostic tests or information would make the visit more productive?
- What happens during a visit? How many times do patients have to provide the same information?
- What happens after the visit to ensure that the patient's needs are being met?
- Have we let finance control the appointment process to ensure we are getting paid instead of focusing on the needs of the patient?

## Realistic, Value-Based Care Delivery

Change is a slow process and at times our expectations may result in a false belief that change is not happening. For instance, the healthcare field has been anticipating the move from

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